

# Investing in a culture of giving

**T**HE PUBLIC discussion of private generosity does not always fit well with the modest and self-effacing New Zealand stereotype, so we do not often realise the huge investment that so many Kiwis make in the social capital of our country — either through giving their money or their time.

That is compounded by the lack of systematic data collection about just how much giving goes on in New Zealand, or its true value in assisting charities and other non-profit organisations to contribute to New Zealand society in almost every sphere of activity, from sports, recreation, arts, culture and heritage to emergency and social services, health, education, conservation and the environment.

Earlier this month, the Labour-led Government released a discussion document on a review of the current tax rebate regime for charities as a first step toward building a stronger culture of giving in New Zealand.

The review is premised on the fact that Government controls key levers for encouraging this culture, including providing assistance through the tax system, to charities and other non-profit organisations through the donations they receive from individuals, companies and Maori authorities. It is an area in which New Zealand is lagging well behind other comparative Commonwealth countries.

Overseas programmes and research show that generosity is influenced by the tax environment and that tax is just one tool for encouraging giving.

The introduction of tax relief on donations has significantly increased giving throughout the world — along with bequests, payroll giving, share donation schemes and aspects of corporate community involvement.

The philanthropic sector, and the community and voluntary sector, will be actively engaging in the review.

But this is an issue for all New Zealanders, whether they are company or individual givers, are active as volunteers, or use the many services and activities run by non-profit organisations, because most of them rely on some form of philanthropy to make ends meet.

Despite the popular misconception, community and voluntary sector organisations are not fully funded by the Government.

Charities and not-for-profit organisations will typically be funded through a combination of public and private monies. Government contracts often account for only 50 per cent of the cost of delivering services to the community, with grants from lotteries, philanthropic trusts, membership fees and other sources, as well as fundraising, sponsorship and donations making up the rest of the funding.

The Government's review canvases a number of options to stimulate greater charitable giving by individuals and companies, including raising the threshold at which the individual tax rebate for



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donations is currently capped and increasing the rate of an individual's tax rebate claim.

The review also looks at options around recognising the value of time given by volunteers to community and voluntary sector organisations.

This could include tax rebates to volunteers of charitable organisations, grants made directly to these organisations, or clarifying the uncertainties in the tax treatment of reimbursement payments to volunteers and honoraria recipients and reducing their compliance costs.

For companies, the review recognises the barriers that the current tax regime has created.

Under the current taxation legislation, companies, other than certain close companies, are entitled to a limited deduction for cash donations.

The deduction for all donations made by the company in an income year cannot exceed 5 per cent of the company's net income for that year. In this regard, the net income is the company's total income less deductions (excluding those allowed for the cash donations).

The tax deductibility of "company giving" also depends on them showing a link between the expenditure and the taxable income derived from their business.

This is not about providing tax breaks for companies, rather it is recognising that the business sector is a huge source of charitable giving in New Zealand.

Imputation credits are unfortunately not covered in this review but are included in other taxation review work going on in Inland Revenue.

Because charities have taxation exemption they are unable to claim the tax benefit of imputation credits. This means that a body which is intended to be a non-tax-payer is de facto paying tax.

If people choose to see this review in the context of "a revenue cost" to the Government this ignores the intrinsic value that non-profit organisations already return.

In one study of 10 New Zealand non-profit organisations it was shown that for every \$1 they receive in funding they returned between \$3 and \$5 worth of services.

New Zealanders are already making a huge investment of time and money in our communities.

Why not encourage and celebrate it?

Philanthropy will thrive and grow in this country if there are strong incentives for giving.

■ Robyn Scott is the executive director of Philanthropy New Zealand.